

# QUARTERLY REPORT

LICENSEE TRUMP TAJ MAHAL CASINO RESORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# BALANCE SHEETS

AS OF SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	SEPTEMBER (c) 2001	SEPTEMBER (d) 2000
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	40,121	43,066
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for..... Doubtful Accounts - 2001, \$9,624; 2000, \$8,202).....	22,971	23,815
4	Inventories.....	5,056	5,143
5	Prepaid Expenses and Other Current Assets.....	9,083	4,621
6	Total Current Assets.....	77,231	76,645
7	Investments, Advances, and Receivables - CRDA.....	16,082	15,877
8	Property and Equipment - Gross.....	1,081,723	1,064,325
9	Less: Accumulated Depreciation and Amortization.....	(204,005)	(171,757)
10	Property and Equipment - Net.....	877,718	892,568
11	Other Assets..... NOTE 3.....	68,213	49,244
12	Total Assets.....	1,039,244	1,034,334
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	16,793	18,061
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other..... NOTE 2.....	1,991	1,367
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses.....	24,636	23,936
19	Other Current Liabilities.....	9,100	11,279
20	Total Current Liabilities.....	52,520	54,643
	Long-Term Debt:		
21	Due to Affiliates..... NOTE 2 & 5.....	800,000	800,000
22	Other..... NOTE 2.....	4,530	580
23	Deferred Credits.....	-	-
24	Other Liabilities.....	4,424	1,735
25	Commitments and Contingencies..... NOTE 4.....		
26	Total Liabilities.....	861,474	856,958
27	Stockholders', Partners', or Proprietor's Equity.....	177,770	177,376
28	Total Liabilities and Equity.....	1,039,244	1,034,334

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	REVENUE:		
1	Casino.....	400,679	414,934
2	Rooms.....	26,339	27,335
3	Food and Beverage.....	42,471	42,742
4	Other.....	13,589	14,986
5	Total Revenue.....	483,078	499,997
6	Less: Promotional Allowances.....	46,583	48,452
7	Net Revenue.....	436,495	451,545
	COSTS AND EXPENSES:		
8	Cost of Goods and Services.....	220,145	221,704
9	Selling, General and Administrative.....	107,454	110,605
10	Provision for Doubtful Accounts.....	2,163	1,844
11	Total Costs and Expenses.....	329,762	334,153
12	Gross Operating Profit.....	106,733	117,392
13	Depreciation and Amortization.....	25,241	27,036
	Charges from Affiliates Other than Interest.....	-	-
14	Management Fees.....	-	-
15	Other..... NOTE 3.....	4,976	7,326
16	Income (Loss) from Operations.....	76,516	83,030
	Other Income (Expenses):		
17	Interest Income (Expense) - Affiliates..... NOTE 2 & 5.....	(69,579)	(69,832)
18	Interest Income (Expense) - External..... NOTE 2.....	(345)	(273)
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(1,791)	(2,112)
20	Nonoperating Income (Expense) - Net.....	647	862
21	Total Other Income (Expenses).....	(71,068)	(71,355)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	5,448	11,675
23	Provision (Credit) for Income Taxes.....	-	-
24	Income (Loss) Before Extraordinary Items.....	5,448	11,675
25	Extraordinary Items (Net of Income Taxes- 2001, \$ ____ ; 2000, \$ ____ ).....	-	-
26	Net Income (Loss).....	5,448	11,675

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>REVENUE:</b>		
1	Casino.....	148,778	155,642
2	Rooms.....	9,935	10,267
3	Food and Beverage.....	15,589	16,518
4	Other.....	5,613	6,143
5	Total Revenue.....	179,915	188,570
6	Less: Promotional Allowances.....	17,577	18,506
7	Net Revenue.....	162,338	170,064
	<b>COSTS AND EXPENSES:</b>		
8	Cost of Goods and Services.....	76,840	78,536
9	Selling, General and Administrative.....	38,838	40,406
10	Provision for Doubtful Accounts.....	616	621
11	Total Costs and Expenses.....	116,294	119,563
12	Gross Operating Profit.....	46,044	50,501
13	Depreciation and Amortization.....	8,369	8,844
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTE 3.....	1,447	2,200
16	Income (Loss) from Operations.....	36,228	39,457
	Other Income (Expenses):		
17	Interest Income (Expense) - Affiliates..... NOTE 2 & 5.....	(23,173)	(23,254)
18	Interest Income (Expense) - External..... NOTE 2.....	(224)	(49)
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(624)	(1,012)
20	Nonoperating Income (Expense) - Net.....	122	350
21	Total Other Income (Expenses).....	(23,899)	(23,965)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	12,329	15,492
23	Provision (Credit) for Income Taxes.....	-	-
24	Income (Loss) Before Extraordinary Items.....	12,329	15,492
25	Extraordinary Items (Net of Income Taxes- 2001, \$____; 2000, \$____).....	-	-
26	Net Income (Loss).....	12,329	15,492

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

## NOT APPLICABLE

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999.....		\$		\$	\$	\$	\$	\$
2	Net Income (Loss) - 2000.....								
3	Contribution to Paid-in-Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6	.....								
7	.....								
8	.....								
9	.....								
10	Balance, December 31, 2000.....								
11	Net Income (Loss) - 2001.....								
12	Contribution to Paid-in-Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15	.....								
16	.....								
17	.....								
18	.....								
19	Balance, December 31, 2001.....		\$		\$	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000  
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 1999.....	\$187,242	(\$21,540)		\$165,702
2	Net Income (Loss) - 2000.....	-	6,620		6,620
3	Capital Contributions.....	-	-		-
4	Capital Withdrawals.....	-	-		-
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7	.....				
8	.....				
9	.....				
10	Balance, December 31, 2000.....	187,242	(14,920)		172,322
11	Net Income (Loss) - 2001.....	-	5,448		5,448
12	Capital Contributions.....	-	-		-
13	Capital Withdrawals.....	-	-		-
14	Partnership Distributions.....				
15	Prior Period Adjustments.....				
16	.....				
17	.....				
18	.....				
19	Balance, September 30, 2001.....	\$187,242	(\$9,472)	\$0	\$177,770

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	9,711	18,139
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(4,004)	(8,166)
5	Proceeds from Disposition of Property and Equipment.....	-	-
6	Purchase of Casino Reinvestment Obligations.....	(4,773)	(4,849)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10		-	-
11		-	-
12	Net Cash Provided (Used) by Investing Activities.....	(8,777)	(13,015)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(1,273)	(1,312)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals .....	-	-
21		-	-
22		-	-
23	Net Cash Provided (Used) by Financing Activites.....	(1,273)	(1,312)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(339)	3,812
25	Cash and Cash Equivalents at Beginning of Period.....	40,460	39,254
26	Cash and Cash Equivalents at End of Period.....	40,121	43,066
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	82,844	81,773
28	Income Taxes.....	-	-

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: TRUMP TAJ MAHAL CASINO RESORT

# STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	5,448	11,675
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	25,241	27,036
31	Amortization of Other Assets.....	-	-
32	Amortization of Debt Discount or Premium.....	2,079	2,332
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	-	-
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,791	2,112
37	(Gain) Loss from Other Investment Activities.....	-	-
38	Net (Increase) Decrease in Receivables and Patrons' Checks.....	(1,555)	(1,355)
39	Net (Increase) Decrease in Inventories.....	282	373
40	Net (Increase) Decrease in Other Current Assets.....	(5,989)	(1,614)
41	Net (Increase) Decrease in Other Assets.....	(15,613)	(14,657)
42	Net Increase (Decrease) in Accounts Payable.....	170	2,265
43	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	(2,143)	(10,028)
44	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	-	-
45		-	-
46		-	-
47	Net Cash Provided (Used) by Operating Activities.....	9,711	18,139

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	10,132	9,371
49	Less: Capital Lease Obligations Incurred.....	(6,128)	(1,205)
50	Cash Outflows for Property and Equipment.....	4,004	8,166
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	-	-
52	Goodwill Acquired.....	-	-
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....	-	-
54	Long-Term Debt Assumed.....	-	-
55	Issuance of Stock or Capital Invested.....	-	-
56	Cash Outflows to Acquire Business Entities.....	0	0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	-	-
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	0	0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.



**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**  
**(Unaudited)**

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Trump Taj Mahal Associates ("Taj Associates") is 100% beneficially owned by Trump Atlantic City Associates ("Trump AC"). Trump AC is 100% beneficially owned by Trump Hotels & Casino Resorts Holdings, L.P. ("THCR Holdings") which is a 63.4% owned subsidiary of Trump Hotels & Casino Resorts, Inc. ("THCR"). In addition, Trump AC beneficially wholly owns Trump Plaza Associates ("Plaza Associates"), the owner and operator of the Trump Plaza Casino Hotel located in Atlantic City, New Jersey.

Taj Associates owns and operates the Trump Taj Mahal Casino Resort (the "Taj Mahal"), an Atlantic City, New Jersey hotel, casino and convention center complex. The industry in which the Taj Mahal operates is subject to intense competition and regulatory review.

The accompanying financial statements of Taj Associates have been prepared without audit. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented have been made.

The accompanying financial statements have been prepared by Taj Associates pursuant to the rules and regulations of the Casino Control Commission of the State of New Jersey (the "Commission"). Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in Taj Associates' December 31, 2000 Quarterly Report as filed with the Commission.

Certain reclassifications have been made to conform prior year financial statements to the current year presentation.

The casino industry in Atlantic City is seasonal in nature; therefore, results of operations for the nine and three months ended September 30, 2001 and 2000 are not necessarily indicative of the operating results for a full year.

The economic consequences of the September 11, 2001 terrorist attacks on the World Trade Center and New York State's subsequent approval of the largest gambling package in its history are still unknown at this time. Although management anticipates such events to negatively affect Taj Associates operations, management cannot predict with any certainty the full impact of such events.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**  
**(Unaudited)**

**NOTE 2 - LONG TERM DEBT**

Long-term debt consists of the following:

	September 30, 2001	September 30, 2000
Note Payable - Trump AC (a)(Note 5) . . . .	\$ 800,000,000	\$ 800,000,000
Other (b) . . . . .	<u>6,521,000</u>	<u>1,947,000</u>
Total . . . . .	806,521,000	801,947,000
Less: Current portion . . . . .	<u>(1,991,000)</u>	<u>(1,367,000)</u>
	<u>\$ 804,530,000</u>	<u>\$ 800,580,000</u>

Nine months ended September 30,
<u>2001</u> <u>2000</u>

**Interest Expense - Affiliates**

Trump Atlantic City Associates (a) . . . . .	\$ 67,500,000	\$ 67,500,000
Amortization - deferred loan costs (a) . . . . .	<u>2,079,000</u>	<u>2,332,000</u>
Total . . . . .	<u>\$ 69,579,000</u>	<u>\$ 69,832,000</u>

**Interest Expense - External**

Capital lease obligations . . . . .	<u>\$ 345,000</u>	<u>\$ 273,000</u>
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Three months ended September 30,
<u>2001</u> <u>2000</u>

**Interest Expense - Affiliates**

Trump Atlantic City Associates (a) . . . . .	\$ 22,500,000	\$ 22,500,000
Amortization - deferred loan costs (a) . . . . .	<u>673,000</u>	<u>754,000</u>
Total . . . . .	<u>\$ 23,173,000</u>	<u>\$ 23,254,000</u>

**Interest Expense - External**

Capital lease obligations . . . . .	<u>\$ 224,000</u>	<u>\$ 49,000</u>
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(a) Trump AC with Trump Atlantic City Funding, a wholly owned subsidiary of Trump AC, issued the mortgage notes in the aggregate principal amount of \$1,200,000,000 which bear interest at 11.25% and are due May 1, 2006 (the "First Mortgage Notes"). Interest on the First Mortgage Notes is due semi-annually. The First Mortgage Notes are guaranteed as to payment of principal and interest jointly and severally by Taj Associates, Plaza Associates, Trump AC and all future subsidiaries of Trump AC (other than Trump AC Funding). The First Mortgage Notes are jointly and severally secured by mortgages representing a first lien and security interest on substantially all the assets of Taj Associates and Plaza Associates.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**  
**(Unaudited)**

From the proceeds of the issuance of the First Mortgage Notes, Trump AC loaned \$800,000,000 to Taj Associates with interest at 11.25%, due May 1, 2006 with the same terms as the First Mortgage Notes. Costs of \$29,467,000 associated with the issuance of the First Mortgage Notes are being amortized by Taj Associates using the effective interest method over the term of the First Mortgage Notes. Amortization is included in interest expense on the accompanying statement of operations and totaled \$2,079,000 and \$2,332,000 for the nine months ended September 30, 2001 and September 31, 2000, respectively.

(b) Interest on these capitalized leases are payable with interest rates ranging from 7.1% to 13.0%. The leases are due at various dates between 2001 and 2005 and are secured by the equipment financed.

The ability of Taj Associates to repay its long-term debt when due will depend on its ability to either generate cash from operations sufficient for such purposes or its ability to refinance such indebtedness. Cash flow from operations may not be sufficient to repay a substantial portion of the principal amount of the indebtedness upon maturity, especially in light of New York State's recent approval of the largest gambling package in the State's history as a consequence of the September 11, 2001 terrorist attacks on the World Trade Center and the subsequent effects on New York's then already softening economy. The future operating performance of Taj Associates and its ability to refinance such indebtedness will be subject to the then prevailing economic conditions, industry conditions and numerous other financial, business and other factors, many of which are beyond the control of Taj Associates. There can be no assurances that the future operating performance of Taj Associates will be sufficient to meet these repayment obligations or that the general state of the economy, the status of the capital markets or the receptiveness of the capital markets to the gaming industry will be conducive to refinancing this debt or other attempts to raise capital.

**NOTE 3 - TRANSACTIONS WITH AFFILIATES**

Taj Associates has engaged in certain transactions with Donald J. Trump ("Trump") and entities that are wholly or partially owned by Trump. Amounts receivable from (owed to) are as follows:

	<u>September 30,</u> <u>2001</u>	<u>September 30,</u> <u>2000</u>
Castle Associates (a) . . . . .	\$ 279,000	\$ 26,000
Plaza Associates (a) . . . . .	(116,000)	(431,000)
TCS/Trump Administration (a) . . . . .	4,279,000	3,456,000
THCR (a) . . . . .	(920,000)	(785,000)
Trump AC (a) . . . . .	52,541,000	32,721,000
Trump Organization (a) . . . . .	320,000	—
	<u>\$ 56,383,000</u>	<u>\$ 34,987,000</u>

(a) Taj Associates engages in various transactions with the other Atlantic City hotel/casinos and related casino entities owned by Trump. These transactions are charged at cost or normal selling price in the case of retail items and include certain shared professional fees, insurance, payroll costs, warehoused operating inventories and advertising as well as complimentary services offered to customers.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**  
**(Unaudited)**

Trump Casino Services, L.L.C. ("TCS"), a New Jersey limited liability company, was formed for the purpose of realizing cost savings and operational synergies by consolidating certain administrative functions of, and providing certain services to, Plaza Associates, Trump's Castle Associates, L.P., a New Jersey limited partnership and operator of the Trump Marina Hotel Casino in Atlantic City, New Jersey ("Castle Associates") and Taj Associates. Effective December 31, 2000, TCS was merged into Taj Associates, and the obligations and administrative duties and responsibilities of TCS were assumed by Trump Administration, a separate division of Taj Associates ("Trump Administration"). Management believes that Trump Administration's services will continue to result in substantial cost savings and operational synergies.

	Nine Months Ended September 30,	
	<u>2001</u>	<u>2000</u>
Taj Associates incurred costs for these services:		
Castle Associates .....	\$ 358,000	\$ 215,000
Plaza Associates .....	144,000	(27,000)
TCS/Trump Administration .....	8,893,000	11,524,000
THCR .....	480,000	439,000
Taj Associates charged costs for these services:		
Castle Associates .....	\$ 391,000	\$ 189,000
Plaza Associates .....	488,000	127,000
TCS/Trump Administration .....	493,000	1,186,000
THCR .....	372,000	208,000

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

Taj Associates, its partners and certain of its employees are involved in various legal proceedings incurred in the normal course of business. In the opinion of management of Taj Associates, the expected disposition of these proceedings would not have a material adverse effect on Taj Associates' financial condition or results of operations.

**Federal Income Tax Examination**

Taj Associates is currently involved in an examination with the Internal Revenue Service concerning Taj Associates' federal partnership income tax returns for the tax years 1994, 1995 and 1996. While any adjustment which results from this examination could affect Taj Associates' state income tax return, Taj Associates does not believe that adjustments, if any, will have a material adverse effect on its financial condition or results of operations.

**TRUMP TAJ MAHAL CASINO RESORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**  
**(Unaudited)**

**NOTE 5 - SUBSEQUENT EVENTS**

On October 31, 2001, Trump AC, Trump AC Funding, Trump AC Funding II and Trump AC Funding III announced that THCR is seeking to negotiate the terms of the public debt and is withholding interest payments thereon until such time as discussions between THCR and the bondholders have been finalized. Each of the Trump AC Mortgage Notes, having an aggregate semi-annual interest payment of approximately \$73,125,000 which was due on November 1, 2001, is affected. These interest amounts have been included in current liabilities at September 30, 2001. THCR is seeking to negotiate the terms of the public debt in light of the economic consequences of the September 11<sup>th</sup> terrorist attacks on the World Trade Center which have led New York State to approve the largest gambling package in its history, which includes six casinos, three of which will be ninety minutes away from Manhattan in the Catskills, and video slot machines at numerous racetracks, including Aqueduct in New York and Yonkers. THCR intends to pay interest upon the completion of a successful negotiation.

Pursuant to each of the indentures governing the Trump AC Mortgage Notes, a default in the payment of interest when due and payable and which continues for 30 calendar days (the "Cure Period") constitutes an "Event of Default" under which the trustee or the holders of 25% of the aggregate principal amount of the respective debt issue then outstanding, by notice in writing to the respective issuers, may, and the trustee at the request of such holders shall, declare all principal and accrued interest of such debt issue to be due and payable immediately. Notwithstanding, the issuers may prevent the aforementioned Event of Default by paying the defaulted interest before the expiration of the Cure Period.

The ability of Taj Associates to repay its long-term debt when due will depend on its ability to either generate cash from operations sufficient for such purposes or its ability to refinance such indebtedness. Cash flow from operations may not be sufficient to repay a substantial portion of the principal amount of the indebtedness upon maturity, especially in light of New York State's recent approval of the largest gambling package in the State's history as a consequence of the September 11, 2001 terrorist attacks on the World Trade Center and the subsequent effects on New York's then already softening economy. The future operating performance of Taj Associates and its ability to refinance such indebtedness will be subject to the then prevailing economic conditions, industry conditions and numerous other financial, business and other factors, many of which are beyond the control of Taj Associates. There can be no assurances that the future operating performance of Taj Associates will be sufficient to meet these repayment obligations or that the general state of the economy, the status of the capital markets or the receptiveness of the capital markets to the gaming industry will be conducive to refinancing this debt or other attempts to raise capital.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	80,805	\$ 7,122		
2	Food	649,317	6,978		
3	Beverage	1,660,486	2,692		
4	Travel			19,181	\$ 2,030
5	Bus Program Cash			149,647	1,897
6	Other Cash Comps			633,307	18,944
7	Entertainment	12,179	516	1,051	123
8	Retail & Gifts			50,916	1,961
9	Parking				
10	Other	3,811	269	31,047	405
11	Total	2,406,598	\$ 17,577	885,149	\$ 25,360

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	217,009	\$ 17,903		
2	Food	1,803,408	19,037		
3	Beverage	4,777,741	7,774		
4	Travel			54,233	\$ 5,744
5	Bus Program Cash			453,416	6,828
6	Other Cash Comps			1,920,242	48,095
7	Entertainment	24,090	1,056	9,800	437
8	Retail & Gifts			152,370	4,757
9	Parking				
10	Other	11,390	813	99,739	1,425
11	Total	6,833,638	\$ 46,583	2,689,800	\$ 67,286

